

Message Text

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ORIGIN INR-10

INFO OCT-01 EUR-25 EA-11 ISO-00 NSC-07 NSCE-00 CIAE-00

PM-07 L-03 ACDA-19 NSAE-00 PA-04 RSC-01 PRS-01 SP-03

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DRAFTED BY INR/REC:MDRAY:LGS

APPROVED BY EUR:JLOWENSTEIN

EUR/RPE:ALIEBOWITZ

EUR/RPE:DLAMB

EUR/RPM:RFROWICK

EA/PRCM:RHOLMES

INR/REA:EJONES

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TO USMISSION NATO

INFO USLO PEKING

AMCONSUL HONG KONG

S E C R E T STATE 146984

E.O.11652;GDS

TAGS: ECON, CH, NATO

SUBJECT: ECONADS: JUNE 13 MEETING ON ECONOMY OF PRC.

REFS: USNATO 3477, USNATO 3752

1. CHINESE DEBT TO NONCOMMUNIST COUNTRIES AT END 1973
ESTIMATED TO BE NEARLY THREE QUARTERS OF A BILLION DOLLARS;
ALMOST DOUBLE 1972, THE RESULT OF SHARPLY INCREASED
CONTRACTS FOR AGRICULTURAL PRODUCTS AND INDUSTRIAL PLANTS.
ALTHOUGH INDUSTRIAL PLANTS CAN COMMAND LONG-TERM ARRANGE-
MENTS, THE CHINESE HAVE LIMITED THEMSELVES TO MEDIUM-TERM
CREDITS, DUBBED "DEFERRED PAYMENTS" TO PRESERVE A SEMANTIC
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NO-DEBT FACADE. TERMS ON CREDITS FOR PLANTS ARE USUALLY

FIVE YEARS AT SIX PERCENT WITH GRACE PERIODS VARYING UP TO THREE YEARS. REPAYMENTS SCHEDULE CURRENTLY VERY HIGH. ABOVE FIGURES DO NOT INCLUDE PROGRESS PAYMENTS OR SHORT TERM CREDITS.

2. PRC GOLD AND FOREIGN EXCHANGE RESERVES ESTIMATED AT OVER \$1.5 BILLION. PRECISE DATA NOT AVAILABLE.

3. CRUDE OIL SHIPMENTS WILL PROBABLY CLIMB FROM THREE MILLION TONS IN 1974 TO AT LEAST 5.0 MILLION TONS WORTH ABOUT \$450 MILLION IN 1975. EARNINGS COULD CATAPULT TO

SEVERAL BILLION DOLLARS A YEAR BEFORE THE END OF THE DECADE, DEPENDING ON INTERNATIONAL CRUDE PRICES. RECEIPTS OF SUCH MAGNITUDE WOULD SUPPORT A MUCH HIGHER PRC IMPORT LEVEL--AND AN ACCOMPANYING RISE IN FOREIGN DEBT, IF PEKING SO CHOSE. SISCO

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